



A BILL FOR AN ORDINANCE

RELATING TO REAL PROPERTY TAXES FOR HISTORIC RESIDENTIAL REAL PROPERTY.

BE IT ORDAINED by the People of the City and County of Honolulu:

SECTION 1. Findings and purpose. The council finds the taxes collected by the City and County of Honolulu pay for numerous services such as: trash pickup, the bus, road maintenance and repair, parks, police and fire protection. It is the council's belief that all residents of the City should bear the burden for provision of valuable city services. Based on comments in the media and conversations with residents, many residents believe that those who own historic real property, but only pay the \$300 minimum tax, are not carrying their fair share of the burden, including their share of the cost of trash pickup. It is the council's intention that, with this ordinance, the owners of historic residential property pay their fair share for city services.

Furthermore, it is the council's intent that some of the options presented below will encourage the rehabilitation and restoration of historic residential properties.

The purpose of this ordinance is to amend the tax incentive for historic residential real property.

SECTION 2. This section sets forth four different options to amend the tax incentive for historic residential real property. The intention is that the council will select one of the options, or a combination of the options, and amend this bill to reflect the council's selection prior to final adoption of the ordinance.

OPTION 1. Repeal existing historic residential property tax exemption.

SECTION 2. Section 8-10.22, Revised Ordinances of Honolulu 1990, as amended, is repealed:

["Sec. 8-10.22 Exemption—Historic residential real property dedicated for preservation.

- (a) Portions of residential real property which are dedicated and approved by the director of budget and fiscal services as provided for by this section, shall be exempt from real property taxation except as provided by Section 8-9.1. The owners shall assure reasonable visual access to the public.
- (b) An owner of taxable real property, that is the site of a historic residential property that has been placed on the Hawaii Register of Historic Places after January 1,



CITY COUNCIL

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1977, desiring to dedicate a portion or portions thereof for historic preservation, shall petition the director of budget and fiscal services.

- (c) The director of budget and fiscal services shall review the petition and determine what portion or portions of the real property shall be exempted from real property taxes. The director shall consult with the state historic preservation office in making this determination. The director may take into consideration whether the current level of taxation is a material factor which threatens the continued existence of the historic property, and may determine the total area or areas of real property that shall be exempted.
- (d) The approval of the petition by the director shall constitute a forfeiture on the part of the owner of any right to change the use of the owner's exempted property for a minimum period of 10 years, automatically renewable indefinitely, subject to cancellation by either the owner or the director upon five years' notice at any time after the end of the fifth year.
- (e) Failure of the owner to observe the restrictions of subsection (d) of this section shall cancel the tax exemption and privilege retroactive to the date of the dedication, and all differences in the amount of taxes that were paid and those that would have been due but for the exemption allowed by this section shall be payable together with interest at 12 percent per annum from the respective dates that these payments would have been due, provided the provision in this subsection shall not preclude the county from pursuing any other remedy to enforce the covenant on the use of the land.
- (f) Any person who becomes an owner of real property that is permitted an exemption under this section shall be subject to the restrictions and duties imposed under this section.
- (g) The director shall prescribe the form of the petition. The petition shall be filed with the director by September 1st of any calendar year and shall be approved or disapproved by October 31st of such year. The exemption provided for by this section shall be effective October 1st of the same calendar year.
- (h) An owner applicant may appeal any determination as in the case of an appeal from an assessment.
- (i) Subject to HRS Chapter 91, the director shall adopt rules and regulations decreed necessary to accomplish the foregoing.



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- (j) The owner of a historic residential property that has received an exemption from real property taxation pursuant to this section shall place and maintain on that property a sign or plaque that has been approved by the director and the state historic preservation officer. Subject to HRS Chapter 91, the director shall adopt rules prescribing the requirements for such a sign or plaque."]

SECTION 3. Ordinance material to be repealed is bracketed. When revising, compiling or printing this ordinance for inclusion in the Revised Ordinances of Honolulu, the revisor of ordinances need not include the brackets or the bracketed material.

SECTION 4. This ordinance shall take effect upon approval, provided that all exemptions granted pursuant to Section 8-10.22 and in effect on the day this ordinance takes effect shall continue through the tax year beginning July 1, 2011 and shall expire on June 30, 2012.

OPTION 2. Repeal existing historic residential property tax exemption for a period ending January 1, 2016.

SECTION 2. Section 8-10.22, Revised Ordinances of Honolulu 1990, as amended, is repealed:

["Sec. 8-10.22 Exemption—Historic residential real property dedicated for preservation.

- (a) Portions of residential real property which are dedicated and approved by the director of budget and fiscal services as provided for by this section, shall be exempt from real property taxation except as provided by Section 8-9.1. The owners shall assure reasonable visual access to the public.
- (b) An owner of taxable real property, that is the site of a historic residential property that has been placed on the Hawaii Register of Historic Places after January 1, 1977, desiring to dedicate a portion or portions thereof for historic preservation, shall petition the director of budget and fiscal services.
- (c) The director of budget and fiscal services shall review the petition and determine what portion or portions of the real property shall be exempted from real property taxes. The director shall consult with the state historic preservation office in making this determination. The director may take into consideration whether the current level of taxation is a material factor which threatens the continued existence of the historic property, and may determine the total area or areas of real property that shall be exempted.



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- (d) The approval of the petition by the director shall constitute a forfeiture on the part of the owner of any right to change the use of the owner's exempted property for a minimum period of 10 years, automatically renewable indefinitely, subject to cancellation by either the owner or the director upon five years' notice at any time after the end of the fifth year.
- (e) Failure of the owner to observe the restrictions of subsection (d) of this section shall cancel the tax exemption and privilege retroactive to the date of the dedication, and all differences in the amount of taxes that were paid and those that would have been due but for the exemption allowed by this section shall be payable together with interest at 12 percent per annum from the respective dates that these payments would have been due, provided the provision in this subsection shall not preclude the county from pursuing any other remedy to enforce the covenant on the use of the land.
- (f) Any person who becomes an owner of real property that is permitted an exemption under this section shall be subject to the restrictions and duties imposed under this section.
- (g) The director shall prescribe the form of the petition. The petition shall be filed with the director by September 1st of any calendar year and shall be approved or disapproved by October 31st of such year. The exemption provided for by this section shall be effective October 1st of the same calendar year.
- (h) An owner applicant may appeal any determination as in the case of an appeal from an assessment.
- (i) Subject to HRS Chapter 91, the director shall adopt rules and regulations decreed necessary to accomplish the foregoing.
- (j) The owner of a historic residential property that has received an exemption from real property taxation pursuant to this section shall place and maintain on that property a sign or plaque that has been approved by the director and the state historic preservation officer. Subject to HRS Chapter 91, the director shall adopt rules prescribing the requirements for such a sign or plaque."]

SECTION 3. Ordinance material to be repealed is bracketed. When revising, compiling or printing this ordinance for inclusion in the Revised Ordinances of Honolulu, the revisor of ordinances need not include the brackets or the bracketed material.

SECTION 4. The repeal of Section 8-10.22 shall take effect upon approval, provided that all exemptions granted pursuant to Section 8-10.22 and in effect on the



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day this ordinance takes effect shall continue through the tax year beginning July 1, 2011 and expire on June 30, 2012.

On January 1, 2016, Section 8-10.22 shall be reenacted in the form in which the section read on the day before the effective date of this ordinance.

OPTION 3. Repeal existing historic residential property tax exemption and enact a new historic residential property dedication.

SECTION 2. Section 8-10.22, Revised Ordinances of Honolulu 1990, as amended, is repealed:

["Sec. 8-10.22 Exemption—Historic residential real property dedicated for preservation.

- (a) Portions of residential real property which are dedicated and approved by the director of budget and fiscal services as provided for by this section, shall be exempt from real property taxation except as provided by Section 8-9.1. The owners shall assure reasonable visual access to the public.
- (b) An owner of taxable real property, that is the site of a historic residential property that has been placed on the Hawaii Register of Historic Places after January 1, 1977, desiring to dedicate a portion or portions thereof for historic preservation, shall petition the director of budget and fiscal services.
- (c) The director of budget and fiscal services shall review the petition and determine what portion or portions of the real property shall be exempted from real property taxes. The director shall consult with the state historic preservation office in making this determination. The director may take into consideration whether the current level of taxation is a material factor which threatens the continued existence of the historic property, and may determine the total area or areas of real property that shall be exempted.
- (d) The approval of the petition by the director shall constitute a forfeiture on the part of the owner of any right to change the use of the owner's exempted property for a minimum period of 10 years, automatically renewable indefinitely, subject to cancellation by either the owner or the director upon five years' notice at any time after the end of the fifth year.
- (e) Failure of the owner to observe the restrictions of subsection (d) of this section shall cancel the tax exemption and privilege retroactive to the date of the dedication, and all differences in the amount of taxes that were paid and those



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that would have been due but for the exemption allowed by this section shall be payable together with interest at 12 percent per annum from the respective dates that these payments would have been due, provided the provision in this subsection shall not preclude the county from pursuing any other remedy to enforce the covenant on the use of the land.

- (f) Any person who becomes an owner of real property that is permitted an exemption under this section shall be subject to the restrictions and duties imposed under this section.
- (g) The director shall prescribe the form of the petition. The petition shall be filed with the director by September 1st of any calendar year and shall be approved or disapproved by October 31st of such year. The exemption provided for by this section shall be effective October 1st of the same calendar year.
- (h) An owner applicant may appeal any determination as in the case of an appeal from an assessment.
- (i) Subject to HRS Chapter 91, the director shall adopt rules and regulations decreed necessary to accomplish the foregoing.
- (j) The owner of a historic residential property that has received an exemption from real property taxation pursuant to this section shall place and maintain on that property a sign or plaque that has been approved by the director and the state historic preservation officer. Subject to HRS Chapter 91, the director shall adopt rules prescribing the requirements for such a sign or plaque."]

SECTION 3. Chapter 8, Article 7, Revised Ordinances of Honolulu 1990 ("Valuations"), as amended, is amended by adding a new Section 8-7.6 to read as follows:

"Sec. 8-7.6 Historic residential real property dedicated for preservation.

- (a) An owner of taxable real property that is the site of a historic residential property that has been placed on the Hawaii Register of Historic Places after January 1, 1977 and has been granted a real property tax exemption for the property pursuant to Section 8-10.4, may dedicate a portion or portions thereof for historic preservation by petitioning the director of budget and fiscal services.
- (b) The director shall prescribe the form of the petition. The petition shall be filed with the director by September 1st of any calendar year and shall be approved or



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disapproved by October 31st of such year. The dedication provided for by this section shall be effective October 1st of the same calendar year.

- (c) The director of budget and fiscal services shall review the petition and determine what portion or portions of the real property are approved for dedication. The director shall consult with the state historic preservation office in making this determination. The director may take into consideration whether the current level of taxation is a material factor which threatens the continued existence of the historic property, and may determine the total area or areas of real property that shall be dedicated.
- (d) Those portions of residential real property which are dedicated and approved by the director of budget and fiscal services as provided for by this section shall be assessed at _____ percent of their fair market value.
- (e) The approval of the petition by the director shall constitute a forfeiture on the part of the owner of any right to change the use of the owner's dedicated property for a minimum period of 10 years, automatically renewable indefinitely, subject to cancellation by either the owner or the director upon five years' notice being given at any time after the end of the fifth year.
- (f) An owner applicant may appeal any determination as in the case of an appeal from an assessment.
- (g) Any person who becomes an owner of real property that is granted a dedication under this section shall be subject to the restrictions and duties imposed under this section, including:
 - (1) The owner shall assure reasonable visual access to the public; and
 - (2) The owner shall place and maintain on the property a sign or plaque that has been approved by the director and the state historic preservation officer. Subject to HRS Chapter 91, the director shall adopt rules prescribing the requirements for such a sign or plaque.
- (h) Failure of the owner to observe the restrictions on the dedicated property as provided in this section shall cancel the dedication retroactive to the initial date of the dedication, and all differences in the amount of taxes that were paid and those that would have been due but for the dedication allowed by this section shall be payable by the owner together with interest at 12 percent per annum from the respective dates that these payments would have been due, provided



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the provision in this subsection shall not preclude the county from pursuing any other remedy to enforce the covenant on the use of the land.

- (i) Subject to HRS Chapter 91, the director shall adopt rules and regulations decreed necessary to accomplish the foregoing."

SECTION 4. Ordinance material to be repealed is bracketed. New material is underscored. When revising, compiling or printing this ordinance for inclusion in the Revised Ordinances of Honolulu, the revisor of ordinances need not include the brackets, the bracketed material or the underscoring.

SECTION 5. This ordinance shall take effect upon approval, provided that all exemptions granted pursuant to Section 8-10.22 and in effect on the day this ordinance takes effect shall continue through the tax year beginning July 1, 2011 and shall expire on June 30, 2012.

OPTION 4. Repeal existing historic residential property tax exemption and enact a new historic structures tax credit.

SECTION 2. Section 8-10.22, Revised Ordinances of Honolulu 1990, as amended, is repealed:

["Sec. 8-10.22 Exemption—Historic residential real property dedicated for preservation.

- (a) Portions of residential real property which are dedicated and approved by the director of budget and fiscal services as provided for by this section, shall be exempt from real property taxation except as provided by Section 8-9.1. The owners shall assure reasonable visual access to the public.
- (b) An owner of taxable real property, that is the site of a historic residential property that has been placed on the Hawaii Register of Historic Places after January 1, 1977, desiring to dedicate a portion or portions thereof for historic preservation, shall petition the director of budget and fiscal services.
- (c) The director of budget and fiscal services shall review the petition and determine what portion or portions of the real property shall be exempted from real property taxes. The director shall consult with the state historic preservation office in making this determination. The director may take into consideration whether the current level of taxation is a material factor which threatens the continued existence of the historic property, and may determine the total area or areas of real property that shall be exempted.



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- (d) The approval of the petition by the director shall constitute a forfeiture on the part of the owner of any right to change the use of the owner's exempted property for a minimum period of 10 years, automatically renewable indefinitely, subject to cancellation by either the owner or the director upon five years' notice at any time after the end of the fifth year.
- (e) Failure of the owner to observe the restrictions of subsection (d) of this section shall cancel the tax exemption and privilege retroactive to the date of the dedication, and all differences in the amount of taxes that were paid and those that would have been due but for the exemption allowed by this section shall be payable together with interest at 12 percent per annum from the respective dates that these payments would have been due, provided the provision in this subsection shall not preclude the county from pursuing any other remedy to enforce the covenant on the use of the land.
- (f) Any person who becomes an owner of real property that is permitted an exemption under this section shall be subject to the restrictions and duties imposed under this section.
- (g) The director shall prescribe the form of the petition. The petition shall be filed with the director by September 1st of any calendar year and shall be approved or disapproved by October 31st of such year. The exemption provided for by this section shall be effective October 1st of the same calendar year.
- (h) An owner applicant may appeal any determination as in the case of an appeal from an assessment.
- (i) Subject to HRS Chapter 91, the director shall adopt rules and regulations decreed necessary to accomplish the foregoing.
- (j) The owner of a historic residential property that has received an exemption from real property taxation pursuant to this section shall place and maintain on that property a sign or plaque that has been approved by the director and the state historic preservation officer. Subject to HRS Chapter 91, the director shall adopt rules prescribing the requirements for such a sign or plaque."]

SECTION 3. Chapter 8, Revised Ordinances of Honolulu 1990 ("Real Property Tax"), as amended, is amended by adding a new article to be appropriately designated by the revisor of ordinances and to read as follows:



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"Article __. Residential Historic Structures Tax Credit

Sec. 8-__1 Tax credit for the restoration and rehabilitation of residential historic structures.

(a) As used in this section:

"Qualified expenditures" mean any amount incurred for the rehabilitation and restoration of the physical elements of a building, including its historic decorative elements, and the upgrading of the building's structure to meet applicable building codes. All work completed as a result of the qualified expenditures shall be in accordance with the requirements of the state historic preservation division or successor agency. Qualified expenditures do not include the value of the taxpayer's personal labor; the cost of maintaining the historic property; the cost of purchasing the historic property; or the cost of any improvements made to the landscaping or other site features, outbuildings, or garages.

"Qualified residential historic structure" means a historic residential property that has been placed on the Hawaii Register of Historic Places after January 1, 1977 and has been granted a real property tax exemption for the property pursuant to Section 8-10.4.

- (b) There shall be an annual tax credit in an amount equal to _____ percent of qualified expenditures incurred during the previous tax year for the rehabilitation and restoration of a qualified residential historic structure. Any excess in the amount of the credit allowable for any tax year under this section over the owner's tax liability shall not be paid to the taxpayer nor carried over to any following tax year.
- (c) The application for the tax credit shall be filed with the director on or before September 30th preceding the tax year for which the credit is requested on such form as shall be prescribed by the director, and shall be supported by documentation establishing the date of the issuance of any building permit(s), the date of any payments and the department of planning and permitting's inspection completion date.
- (d) The owner of a historic residential property that has been granted a tax credit from real property taxation pursuant to this section shall for a period of not less than five years:
- (1) Place and maintain on that property a sign or plaque that has been approved by the director and the state historic preservation officer;



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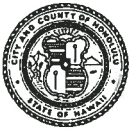
- (2) Allow for public visits on the property at least 12 times a year or assure reasonable visual access to the public or; and
- (3) Forfeit the right to change the use of the property during the period.
- (e) If at any time during the five-year period after the tax credit has been granted by the director, the owner:
 - (1) Disposes of or demolishes the historic residential property;
 - (2) Fails to receive a real property tax exemption for the property pursuant to section 8-10.4; or
 - (3) Fails to comply with the requirements set forth in this section;

then the owner shall return one hundred per cent of the credit received under this section to the city, except that this requirement shall not apply to a transfer due to the death of the owner.

Sec. 8-___.2 Rules.

The director shall adopt rules pursuant to HRS Chapter 91 as the director deems necessary to implement this article."

SECTION 4. Ordinance material to be repealed is bracketed. New material is underscored. When revising, compiling or printing this ordinance for inclusion in the Revised Ordinances of Honolulu, the revisor of ordinances need not include the brackets, the bracketed material or the underscoring.



CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

ORDINANCE _____

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SECTION 5. This ordinance shall take effect upon approval, provided that all exemptions granted pursuant to Section 8-10.22 and in effect on the day this ordinance takes effect shall continue through the tax year beginning July 1, 2011 and shall expire on June 30, 2012.

INTRODUCED BY:

Ronny M. Furukawa (B/R)
Ronny M. Furukawa
Breanna vanita
Anna K. Koyanaka
Isai Habel Tamayo

RECEIVED
CITY CLERK
CITY OF HONOLULU
JAN 19 2011 11:05 AM

DATE OF INTRODUCTION:

JAN 19 2011

Honolulu, Hawaii

Councilmembers

APPROVED AS TO FORM AND LEGALITY:

Deputy Corporation Counsel

APPROVED this _____ day of _____, 20____.

PETER B. CARLISLE, Mayor
City and County of Honolulu

FILED
JAN 19 2013
PURSUANT TO ROH Sec. 1-24